

MINUTES

**California Health Facilities Financing Authority
Minutes March 29, 2007 – 1:30 P.M.
915 Capitol Mall, Room 587
Sacramento, California**

Chairperson Bill Lockyer called the meeting to order at 1:30 p.m.

Present: Bill Lockyer, State Treasurer, Chair
Designee Michael Carter for John Chiang, Controller
Designee Fred Klass for Michael C. Genest, Department of Finance
Harry Bistrin
Judith Frank
Dr. John Hilinski
Dr. Oscar Sablan (arrived at 1:45 p.m. prior to Item 4)

Staff: Sandra Simpson-Fontaine, Executive Director
Ronald Washington, Deputy Executive Director

The Chair declared a quorum present.

The minutes of the California Health Facilities Financing Authority's (CHFFA or the Authority) January 25, 2007 meeting were approved as submitted. (Moved by Judith Frank and seconded by Harry Bistrin.)

Sandra Simpson-Fontaine reported that as of February 28, 2007 bonds outstanding totaled \$7,079,322,028 and the fund balance was \$8,596,719.40. There were 11 borrowers with over \$100 million in CHFFA debt with a combined balance outstanding of \$5,886,516,347, which represents 83% of all CHFFA debt outstanding, and 7 equipment financings with a total balance outstanding of \$13,407,516. The Executive Director also reported a HELP II Fund balance of \$23,687,595, a HealthCAP balance of \$0.00, a Cedillo-Alarcón Clinic Grant Fund balance of \$3,614,763, an Anthem-Wellpoint Grant Fund balance of \$23,871,010 and the Children's Hospital Bond Act of 2004 Fund balance of \$445,759,981.

**Item #4 Humboldt Senior Resource Center, Inc. (HSRC)
Resolution HII-190**

Yassar Dahbour stated that HSRC will use the loan proceeds to construct a new Alzheimer's Center to help relieve the overcrowding at its existing facility and provide additional capacity.

• Construction	\$5,104,663
• Equipment and Furniture	100,000
• Financing Costs	<u>10,375</u>
Total	\$5,215,038

Representing Humboldt Senior Resource Center, Inc. were: Joyce Hayes, Executive Director, Mary Hurley, Financial Director; and Patrick Swartz, President, North Point Financial.

Staff recommended the Authority approve a resolution for a HELP II loan in an amount not to exceed \$750,000 for a term not to exceed 15 years for Humboldt Senior Resource Center, Inc., subject to (1) approval of a \$1.38 million bank loan; and (2) a final appraised value on the property satisfactory to the Authority.

Harry Bistrin moved for adoption of the Resolution and Fred Klass seconded the motion. The motion was adopted with a 7-0 vote.

Item #5

**Strategies for Change (SFC)
Resolution HII-191**

Lan Jaduram stated that the loan proceeds would be used to partially finance the purchase of a leased facility. A lender acceptable to the Authority will provide the balance of the financing. SFC will save approximately \$319,000 in interest payments over the life of the loan compared to a commercial loan at 7.5% interest per annum.

Representing Strategies for Change were: Cynthia Keeth, Executive Director, Jack Tracey, Program Developer and Georgie Trammel, Board President.

• Purchase Real Property	\$2,000,000
• Other Costs	180,910
• Financing Costs	<u>49,200</u>
Total	\$2,230,110

Staff recommended the Authority approve a resolution for a HELP II Loan for Strategies for Change in an amount not to exceed \$750,000 for a term of 15 years.

Oscar Sablan moved for adoption of the Resolution and John Hilinski seconded the motion. The motion was adopted with a 7-0 vote.

Item #6

**Tikvah-Etta and Lazear Israel Center
for the Developmentally Disabled
dba Etta Israel Center (EIC)
Resolution HII-192**

Martha Maldonado stated that the loan proceeds would be used to refinance a bank loan from Beach Business Bank. The loan will be secured by the newly renovated Valley Village property. EIC will save approximately \$180,000 in interest payments over the life of the loan.

Representing Etta Israel Center was: Scott Saliman, Chief Financial Officer.

• Refinance	\$500,000
• Financing Costs	<u>7,500</u>
Total	\$507,500

Staff recommended the Authority approve a resolution for a HELP II Loan for Tikvah-Etta and Lazear Israel Center for the Developmentally Disabled dba Etta Israel Center in an amount not to exceed \$481,000 for a term of 15 years and subject to a final appraised value on the Valley Village property satisfactory to the Authority.

Judith Frank moved for adoption of the Resolution and Fred Klass seconded the motion. The motion was adopted with a 7-0 vote.

Prior to the discussion of Item #7, Sandra Simpson-Fontaine, Executive Director and Ronald Washington, Deputy Executive Director made general comments about the direction provided to staff regarding the Pass Through Savings at the January 25, 2007 meeting. Ms. Simpson-

Fontaine reminded the Board of the two-track approach: 1) to continue processing the Sutter Health application and any others that may come into the queue before the Authority implements long-term standards; and 2) develop long-term criteria, standards and/or regulations while working with the interested stakeholders on this issue. Ms. Simpson-Fontaine also stated that staff requested the financial advisor Public Financial Management (PFM), review the calculations and assumptions received from Morgan Stanley (Sutter Health's Underwriter) and Service Employees International Union (SEIU) since there was such variance in the data provided. Staff requested that PFM provide their own estimate of tax-exempt savings for the Sutter Health financing. PFM's analysis indicated that overall tax-exempt savings would be substantially less than those estimated by Morgan Stanley. With the information provided by PFM, CHFFA was able to fashion an agreement that provides significant benefits to the public and still remains an incentive for Sutter Health. Mr. Washington stated that he has had discussions with several hospitals and with the California Hospital Association regarding what they felt was fair and reasonable in terms of guidelines. The general theme was that the community benefit should not be calculated based solely on quantifiable costs, but also in terms of benefits that accrue to the community within the hospitals' geographical area, allowing hospitals to provide charitable care at current levels and continue to fund existing charitable care programs; and focus should be more on local accountability with the hospitals' surrounding community defining its community benefit plan.

Bill Lockyer, Chair recapped the discussion with the interested stakeholders on this issue. Before moving on to the presentation of Item # 7. Sutter Health will donate \$8.5 million to small and rural health care facilities outside the Sutter Health network, in addition to their current charitable contributions. Sutter Health will use the tax-exempt financing to pay for construction, renovation and the purchase of new equipment at six of its Northern California facilities. In addition, Sutter Health will make an appropriate commitment not only to excellent patient care for its consumers, but to the communities at large, and that this project will expand access to care, improve the quality of service, and ensure that hospitals are seismically sound. Over the next six years, Sutter Health will provide \$4 million to rural hospitals for the creation of an electronic records system and \$4.5 million donated for grants for community clinics. Mr. Lockyer also reminded the members and staff that California law states entities receiving tax-exempt bond financing from CHFFA must, in return use all or part of any savings to benefit the general public.

Item #7**Sutter Health
Resolution No. 322**

Martha Maldonado stated that Sutter Health would use bond proceeds for construction, renovation, the purchase of equipment and the refunding of existing debt.

Representing Sutter Health were: Cyndi Kettman, Executive Advisor, Robert Reed, Senior Vice President, Chief Financial Officer, Tina Greene, Assistant General Counsel and John Landers, Managing Director, Morgan Stanley.

• Construction/renovation	\$791,000,000
• Refunding	170,798,000
• Financing costs	<u>14,345,500</u>
Total	\$976,143,500

Staff recommended the Authority approve a Resolution in an amount not to exceed \$958,000,000 for Sutter Health subject to a bond rating of at least an "A" category rating by a nationally recognized rating agency. Judith Frank moved for adoption of the Resolution and Fred Klass seconded the motion.

Prior to the vote, the Chair opened the floor for public comments:

Donna Fox representing California Nurses Association (CNA) voiced concern over current state of health care industry and stated her support of the plan for the pass through savings and the Community Benefit gained from the issuance of tax-exempt bonds for Sutter Health for the larger population.

Richard Thomason, Service Employees International Union West, (SEIU) stated his support of the important first steps of developing some accountability for non-profit hospital systems that demonstrates they are passing through the savings from tax-exempt bonds. Mr. Thomason also wanted it to be noted for the record that he thought that CHFFA's analysis was too low and the analysis that SEIU completed was closer to \$14 million.

Gerald N. Rogan, M.D., Rogan Consulting had three specific questions that should be asked of Sutter in this agreement: 1) Whether the Community Clinics mentioned include hospital medical foundation clinics that they already support with tax free financing. Sutter Health answered no and added that this would be supplementary; 2) What is the policy of these clinics with respect to taking patients who are uninsured or under-insured and have Medi-Cal. Dr. Rogan expects that they will take uninsured or under-insured and Medi-Cal. The Chair said the answer seems to be yes; 3) his final statement related to the hospital policy under AB 774 should define, quantify and find a way to measure the charity care policy. The Chair said to get it into the record so we can think about it. Dr. Rogan says that our resident should know the prices before going into a hospital for an operation or procedure.

After the public comment period the Chair asked that the roll vote be called, the motion was adopted with a unanimous 7-0 vote.

Having no further comments, the meeting was adjourned.

Respectfully submitted by,

Ronald L. Washington, Deputy Executive Director